Saskatchewan
Agriculture

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WHITE PAPER

ON THE

PROPOSED FARM PRODUCTS RESEARCH, PROMOTION, AND MARKET DEVELOPMENT ACT

AN INVITATION

This White Paper is being circulated throughout Saskatchewan to provide information on the proposed Farm Products Research, Promotion, and Market Development Act.

The main thrust of the proposed legislation is to provide enabling legislation allowing producers to democratically establish check-offs on commodities they market. The check-off money would be used for agricultural research, promotion, and market development, as determined by producers through their producer-elected committees.

Legislation is only useful when it meets the needs of the affected parties. Thus, I am inviting producers and farm organizations to provide suggestions, views, and opinions on the proposed legislation. Proposals for alternative policy directions are also welcome.

Written submissions should be forwarded to:

Walter Johnson, MLA
Legislative Secretary to
The Minister of Agriculture
Room 43, Legislative Building
REGINA, Saskatchewan
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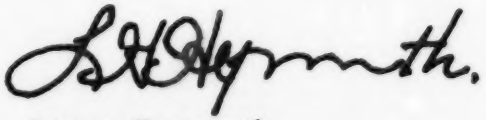

Lorne Hepworth
Minister of Agriculture

WHITE PAPER

A major opportunity in Saskatchewan is to increase the level of agricultural activity. Agriculture directly accounts for close to 20 per cent of the value of all final goods and services produced in Saskatchewan. In addition, many other economic activities carried out in the Province depend upon agriculture for survival. With agriculture playing such a major role in the economic lives of Saskatchewan people, it is a logical sector in which to search for new opportunities for economic growth and improved levels of income for Saskatchewan citizens.

Several requirements are necessary to achieve our agricultural development potential. Two ingredients which are fundamental to long-term growth of the agricultural industry are research and development of markets for Saskatchewan products.

Agricultural research is crucial to our farm products remaining competitive with those of other countries. However, it is not feasible for farmers to bear the high costs of doing research as individuals. The benefits of research are spread among all farmers, and also accrue to the processors, wholesalers, retailers, and consumers of farm products. For this reason, the cost of agricultural research is shared by the people who benefit through governments providing funding for agricultural research from general tax revenues. The same often occurs in market development.

It is important that governments continue to provide public funds to perform agricultural research and market development. Research and market development are

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too critical to agricultural development for governments to neglect these demands. New initiatives in funding should supplement, rather than displace, the initiatives that governments would normally take.

The Government of Saskatchewan proposes to introduce legislation enabling a new approach to providing funds for research and market development for the Province's farm products. This legislation is being prepared for a number of reasons. The primary reason is the very high returns available in areas of agricultural research and market development. Funds invested selectively in these activities can result in enormous benefits, as illustrated by historical examples:

1. Breeding for rust-resistant wheat varieties is estimated to have produced $482 in benefits through reduced crop loss for every $1 invested;

2. One-half million dollars of research into dietary regimes for broiler chickens is reported to have resulted in savings of $26 million per year for the Canadian broiler chicken industry;

3. An investment of $12 million in research between 1961-75 into rapeseed/canola production in Western Canada has enabled development of an industry which produced nearly $600 million in farm cash receipts in 1982 alone;

4. Research in the late 1950's at Agriculture Canada's Research Station at Lacombe, Alberta, resulted in changes to Canada's grading system for hogs and pork. This research was estimated to have cost one-half million dollars and to have saved as much as $20 million annually in feed costs; and

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5. Research into a vaccine to prevent calf scours is estimated to produce $5 million per year in benefits over and above the costs of the research for the Canadian beef and dairy industry.

Success stories are also apparent in promotion and market development for farm products. In developing and expanding domestic and export markets, relatively small amounts of money invested in selective projects have produced substantial returns.

For example, the canola industry has realized tremendous benefits from ongoing market development initiatives in Japan, India, and the United States. Expenditures by the Canola Council of Canada in 1982 and 1983 to solidify current seed markets and expand market opportunities in Japan were $100 thousand. This compares to sales to Japan in the 1982/83 crop year of $335 million. Expenditures of $35 thousand on missions to India and Pakistan to develop and expand canola oil markets compares to sales of oil to India of $27 million in the 1982/83 crop year. Advertising efforts and feeding trials for canola meal have helped to increase canola meal sales to the United States from 2 000 tonnes in 1978/79 to an expected 100 000 tonnes in 1983/84.

In the hog industry, the Saskatchewan Hog Marketing Commission spent $79 thousand during 1982 and 1983 on market development efforts in the United States. These efforts resulted in 84 000 Saskatchewan hogs being sold to the United States in 1982 and 1983 for a value of $11.6 million.

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A second reason for the proposed legislation is that agricultural producers are direct beneficiaries of the high returns from agricultural research and market development efforts, even though the benefits do accrue indirectly to a broad base of economic participants. A mechanism to enable producers to contribute toward activities from which they benefit should be in place in Saskatchewan, and the Government of Saskatchewan, in its facilitative role, is prepared to provide that mechanism.

There are examples of producer-funded research in other countries. Australian wheat producers contribute 15¢/ tonne sold toward research and development. Several American states, including North and South Dakota, Kansas, Colorado, Oklahoma, Texas, Washington, and Idaho, have producer-funded organizations for wheat, peas and lentils.

There are indications that we are on the verge of major technological breakthroughs in agriculture. Producers should have the opportunity to contribute toward accomplishing these breakthroughs.

NAME OF LEGISLATION

The legislation will be called The Farm Products Research, Promotion, and Market Development Act.

PURPOSE OF LEGISLATION

The purpose of The Farm Products Research, Promotion, and Market Development Act will be to increase the amount of agricultural research, promotion, and market development activities performed through the implementation of a new and innovative mechanism. For purposes of the Act, research will include studying, and expanding the scien-

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tific, technical, and economic knowledge and understanding of the production and consumption of farm products. Promotion will include attempts to popularize Saskatchewan farm products. Market development will embody any activity which brings into being, strengthens, or expands markets for Saskatchewan farm products.

THE MECHANISM - RESEARCH AND DEVELOPMENT FUNDS

The Farm Products Research, Promotion, and Market Development Act would allow for the establishment of research and development funds. The Act, itself, does not establish any of these funds; it merely enables a fund to be established if producers of a farm product favour such a fund.

1. Scope of a Fund

   A fund could be put into place for a single farm product, for a group of farm products, or for a specific grade, class, or variety of farm product. This flexibility recognizes that research and market development needs are generally specific to a particular product, a particular group of products, or a particular grade, class, or variety of farm product. For example, the research needs are different for cattle from those for hogs and the research needs for feed barley are different from those for malting barley.

   Funds would apply to all of the Province. No provision would be made for establishment of funds for specific regions of the Province.

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2. Levy a Percentage of Gross Sales

Once a fund is established for a farm product, all producers of the product would contribute a levy equal to a specified percentage of gross sales to the research and development fund at the time of marketing. The percentage of sales criterion means the more marketed, the greater the dollar contribution by the producer. The larger producer benefits more from research, promotion, and market development activities and, therefore, would make the larger dollar contribution.

Buyers of the product would deduct the levy prior to making payment to the producer, and forward the levy to the fund trustees. The fund trustees would be a producer-elected committee.

3. Refund of Levies

Producers may apply for a refund of levies if they do not wish to contribute toward the purposes of the fund. The fund trustees must provide these refunds within 12 months of the time the levies are deducted. This leaves the option of making refunds on a continuous basis, as requested throughout the year, or making all refunds requested at the end of the fiscal year of the fund.

4. Spending of the Fund

The proposed legislation provides authority to the trustees of a fund to spend any money received for purposes of research, promotion, and market development.

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There would be a provision to prevent too much expenditure on fund administration. There would also be provisions to maintain a balance between spending for market development and promotion and spending for research activities.

HOW RESEARCH AND DEVELOPMENT FUNDS ARE ESTABLISHED

The proposed legislation provides that the question of creating a research and development fund will be decided by a producer vote. No fund can be established without a vote by producers of the farm product for which the fund is to apply.

1. Request for a Fund

Initially, a group of producers interested in having a fund put into place would submit a request to the Minister responsible for administration of the Act. The onus would be on producers to take the initiative in developing a fund. The Government's role is a facilitative one. The Minister will not be initiating proposals.

The request by producers would specify the fundamental elements of the proposed fund, including:

a. the farm product, farm products, or grade, class, or variety of farm product to which the fund would apply;

b. the purpose or objective of establishing the fund;

c. the definition of producer for purposes of the fund;

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d. the method of collection, and the maximum amount of any producer levies to be collected;

e. the method of election of the producer committee to serve as trustees of the proposed fund;

f. an explanatory outline of how the fund will operate;

g. possible names for chairman and members of a provisional committee to serve as fund trustees until producer-elected trustees can be put into place; and

h. any other information that the Minister may require in order to fully understand the nature of the fund being proposed.

2. Review by Minister and Recommendation to Provincial Cabinet

The method of review of the requested research and development fund would be up to the Minister. One option would be to appoint an independent review panel to study the request. The Minister may hold public hearings to determine the degree of support or opposition with regard to the research and development fund.

The Minister would recommend to the Provincial Cab-Cabinet one of two things:

a. the Minister could recommend that a vote of producers of the farm product for which the fund is requested not be held. Reasons for this recommendation could include such things

as there being little expected support for the fund, or an inadequate revenue base from which to raise funds; or

b. the Minister could recommend that the question of establishing the requested fund be put to a vote of producers of the product.

3. The Plebiscite on Establishment of a Fund

The Provincial Cabinet would make the final decision as to whether to hold a producer plebiscite on a requested research and development fund. If a vote were to be held, the Cabinet would set a time and place and appoint a returning officer to conduct the vote. A majority of voting producers would have to support the requested fund in order for the fund to be established.

AMENDMENTS TO RESEARCH AND DEVELOPMENT FUNDS

The legislation would provide for amendments to be made to research and development funds once they are established.

Amendments could be made by the producer committee submitting a request to the Minister for amendment of the fund. The Minister would then recommend to Provincial Cabinet either that the question of the amendment be put to a vote of producers or not. The Provincial Cabinet would set the time and place for any vote and appoint a returning officer to conduct the vote. If a majority of producers favoured the amendment, the amendment would be made.

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Amendments could include such things as a change to the maximum levy, inclusion of a new product or grade, variety, or class of product in the fund, or a change to the method of election of members of the producer committe which serves as trustee of a fund.

ADMINISTRATION OF RESEARCH AND DEVELOPMENT FUNDS

1. Producer-Elected Committees

Research and development funds would be administered by producer-elected committees. The money contained in the funds will be producer money and, therefore, producers should logically control how the money is spent.

A committee would consist of up to seven producers. Each member of the committee would serve for a three-year term, with no member being permitted to serve more than two consecutive terms. This should ensure that members are allowed to serve long enough to make their contributions to the decisions of the committee but, also, that new sources of ideas are injected at regular intervals. All producers would have the opportunity to vote for the election of committee members. The committee members would elect the chairman and vice chairman.

2. Powers of Committees

The legislation would provide for committees to have the powers necessary to operate research and development funds and accomplish the purposes of the Act. These powers would include such things as:

a. carrying out research and extension programs;

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b. carrying out educational and promotional programs;

c. identifying markets and carrying out market development programs;

d. requiring buyers and sellers of farm products to deduct levies from payments made to producers, and to forward the levies to the producer committee;

e. recovering levies;

f. spending money to operate and meet the objectives of the fund;

g. borrowing or raising money;

h. investing surplus money and conducting financial matters;

i. obtaining and distributing information relating to farm products;

j. acquiring and disposing of property such as office equipment and supplies;

k. exempting certain persons or products from the rules of the fund;

l. making bylaws to regulate the committee's activities; and

m. authorizing persons to perform duties on behalf of the committee.

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The committees would not have any powers to regulate marketing.

3. Requirements of Committees

Certain requirements of producer committees would be established to ensure accountability. Committees would be required to keep adequate records of their activities and maintain for inspection by producers, the Provincial Auditor, and the Minister the following information:

a. a copy of minutes of committee meetings;

b. auditor's report on financial activities for the previous year;

c. a copy of all bylaws of the committee; and

d. a list of producers of the product to which the fund relates.

Annual financial statements would be made available to producers within six months of the end of the fiscal year of the committee.

GENERAL PROVISIONS

A number of general provisions would round out the proposed legislation.

1. Co-operation with Other Agencies

Provision would be made for a committee to collect levy from buyers of Saskatchewan product located outside of Saskatchewan where this power is conferred upon the committee by an Act of another province or of the Federal Government. This would aid the collection of levy on out-of-Province marketings where other jurisdictions co-operate.

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Producer committees would also have authority to enter into agreements with other Canadian agencies and persons, whether within or outside of Saskatchewan, in order to further the purposes of the research and development fund.

2. Offences and Penalties

The legislation would provide for a penalty of up to $1 000 for any person failing to comply with the Act and Regulations under the Act, in order to encourage compliance.

3. Regulations

The Provincial Cabinet would be able to make the regulations necessary to implement research and development funds requested and approved by producers.

4. Termination of the Act and Regulations

The Act and Regulations made under the Act would terminate ten years from the date the Act is put into force. This provision would ensure the legislation is reviewed in ten years. For the legislation and any research and development funds to continue beyond the ten years would require reintroduction of legislation in the Provincial Legislature.

SUMMARY

There are alternatives for many features of the proposed Farm Products Research, Promotion, and Market Development Act. Our Government wants grassroots input into this legislation. Make your thoughts known. Agriculture's future depends upon it.